

Service Date: August 31, 1978

FINAL ORDER NO. 4417C

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF the Application of)	UTILITY DIVISION
the MONTANA POWER COMPANY for)	
authority to increase rates for)	DOCKET NO. 6546
Missoula water service and regulatory approve of)	ORDER NO. 4417c
certain changes in the regulations covering such)	
services.)	

APPEARANCES

For the Applicant:

Robert P. Gannon, Attorney at Law, The Montana Power Company,
40 East Broadway, Butte, Montana, on behalf of the Applicant

For the Protestant:

Geoffrey L. Brazier, Montana Consumer Counsel, 34 West Sixth
Avenue, Helena, Montana.

For the Commission:

James C. Paine, Staff Counsel

Before:

Thomas J. Schneider, Commissioner and Hearing Examiner
P.J. Gilfeather, Commissioner

By application filed November 23, 1977, the Montana Power company
(M.P.C., or Applicant) sought authority from this Commission to
increase the rates charged customers of its water utility in Missoula,
Montana. Applicant proposed rates that would generate \$1,080,235 of
additional revenue annually if approved.

Following legal notice, hearings were held in Docket No. 6546 on May 1, 2 and 3 in Missoula and Superior, Montana. Testimony was heard and exhibits received into evidence on the need for a permanent rate increase. Having requested a temporary increase on March 28, 1978, Applicant renewed its request for interim relief at the May hearing.

Order No. 4417a, issued June 2, 1978 provided applicant with interim relief by authorizing M.P.C. to file rate schedules which would yield \$512,932 of additional annual revenue to the utility.

By Commissions proposed Order 4417b issued July 28, 1978 Applicant was authorized to submit rate schedules designed to produce annual revenue of \$787,198 from its Missoula water customers (in lieu of as opposed to in addition to the inter authorization). She increased revenue were to be derived from the various tariffed services as follows.

(a) The rate schedules for metered-general service, unmetered-residential domestic and unmetered-commercial industrial shall be implemented at the full levels requested in the utility's application.

(b) With the exception noted in (a), all other classes of service shall have their rates raised by 52.9 percent of the proposed increase as described in Findings of fact No. 68 and 69 of the proposed order.

On August 17, 1978, the Commission was in receipt of Exceptions to the Proposed Order as submitted by M.P.C. No other exceptions to the proposed order and no responses to MPC's exceptions were filed with the Commission. In its exceptions, M.P.C. requested that the Commission. Final Order in this Docket provide that:

(1) the full increase in revenues originally requested be allowed.

(2) the sum of \$19.839.00 be included in rate base,

- (3) the acquisition adjustment amounts of \$563,506.39 and \$13,751.83 be amortized over a ten (10) year period, and an appropriate increase in revenue be authorized taking into consideration the related income tax impact of the transaction, and
- (4) the Applicant be allowed, in its revenue structure, its money costs of the unrecovered investment in the acquisition adjustments until these amounts are amortized.

The Commission after due consideration of the record and the filed exceptions makes the following additions:

FINDINGS OF FACT

1. That Applicant's Exceptions to the Proposed Order have failed to reveal any basis for a grant of increased revenues as originally requested.
2. The \$19,839.00 sum that Applicant wishes to include in rate base was a part of a \$583,345.39 sum found in the Company's Miscellaneous Intangible Plant account. Applicant's exceptions concede that \$563,506.39 of this figure is clearly excludable from rate base as this sum represents an acquisition amount, but maintains that the \$19,839.00 difference is intangible plant attributable to the Missoula water utility before.... a 1944 Commission reclassification case. (Pg. 6 - App. Except.) The 1957 order cited on page 4 of the Proposed Order clearly indicates that the entire \$583,345.39 represents an excess of purchase price over original cost; consequently, the Commission is precluded by R.C.M. 1947 ' 70-106, from including any of that total in rate base.
3. The Commission finds that Applicant's requested treatment of the \$563,506.39 and \$13,751.83 acquisition adjustment amounts has, in part,

some merit. These amounts were actually expended by Applicant and M.P.C. should be permitted to recapture this investment. Accordingly, this sum shall be amortized over a twenty year period. This twenty year period is consistent with findings of this Commission in the past, to wit, Order No. 4220C, Docket No. 6348, in Re. Application of Montana Power Company treatment of net acquisition adjustments.

As a result of amortization of these expended sums, Applicant will have additional revenue needs. as follows:

$$\begin{array}{r} \$563,506.39 \\ 13,751.83 \\ + 19,839.00 \\ \hline \$597,097.22 +20 - \$29,854.86 \text{ annually} \end{array}$$

State and Federal Corporate tax effects shows that the additional annual revenue needs will be:

$$2.0633 \text{ (income to revenue multiplier)} \times \$29,854.86 = 61,599.53$$

Accordingly, Applicant will be allowed to file rate schedules designed to produce annual revenues of \$787,198 plus \$61,600 or \$848,798 from its Missoula water customers.

As in the Proposed Order No. 4417b, the Commission continues to find the requested rate schedules for metered-general service, unmetered-residential domestic and unmetered-small commercial industrial reasonable. The remainder of the approved revenue.

increase \$391,093 (\$848,798 - \$475,705) shall be realized by increasing the remaining rates 62.8 percent of the amount requested by the utility in its application. This percentage is obtained in dividing \$391,093, the remainder of the approved increase, by \$622,566, the proposed revenue increase from the remaining unmetered classes (i.e., residential sprinkling, commercial private fire sprinklers, government hydrant rentals, sewer-streets and park sprinkling).

4. In its Exceptions to the Proposed Order, Montana Power requested that it be allowed to earn a rate of return on the unamortized acquisition adjustment balances. The Commission has properly excluded these amounts from rate base using the original cost depreciated standard of asset valuation as explained in Finding 2 above. Because they should not be included in rate base, the utility should not be permitted a return on these acquisition adjustments.

CONCLUSIONS OF LAW

1. The \$19,839.00 Miscellaneous Intangible Plant sum in Finding of Fact No. 2 above, should be excluded from rate base as per the Commission's Proposed Order No. 4417b.

2. The adjustments to Applicant's total revenue needs, set out in Finding 2 above is proper to assure Applicant that it will recapture investments actually made.

ORDER

THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Proposed Order No. 4417b, Docket No. 6546, issued July 28, 1978 is hereby incorporated by reference into this Final Order in Docket 6546 with the following exceptions pursuant to Order No. 4417c: DOCKET NO. 6546, ORDER NO. 4417c:

(a) Applicant shall now be allowed to file rate schedules designed to produce annual revenue of \$848,798 from its Missoula water customers and

(b) Rates other than metered-general service, unmetered-residential

domestic and unmetered-small commercial industrial rates shall be increased by 62.81 of the amount requested by the utility in this application.

2. Currently, Montana Power renders a single bill to each customer for the entire sprinkling season. At the hearing in Superior, some members of the public present expressed an interest in paying their sprinkling charges, were they to be increased, over the irrigation season or over the year. In light of the substantial increase herein authorized, the Commission finds merit in the consumers' request for optional payment plans similar to Budget Billing available to gas and electric customers. Montana Power should afford its (Missoula/Superior) water users the opportunity to pay their sprinkling charges as a lump sum during the sprinkling season or as additions to their regular monthly bills during the season or during the entire year.

3. Proposed Order No. 4417b is hereby adopted as the Final Order in this matter insofar as said order is consistent with the Findings of Fact, Conclusions of Law and Order of this decision, Order No. 4417c.

4. Exceptions, other than those involving adjustments in this Order are hereby found not to have merit.

DONE IN OPEN SESSION at a meeting of the Montana Public Service Commission held August 31, 1978 by a vote of 4 - O.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

GORDON E. BOLLINGER, Chairman

THOMAS J. SCHNEIDER, Commissioner

P.J. GILFEATHER, Commissioner

JAMES R. SHEA, Commissioner
voting to concur

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: You are entitled to judicial review of the final decision in this matter. If no Motion for Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion for Reconsideration is filed, a commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of the (10) days following the filing of that motion. Cf. The Montana Administrative Procedure act, esp. Sec. 82-4216, R.C.M 1947; and commission rules of Practice and Procedure, esp. 38-2.2(64)-P2750, ARM